IOI Properties Group (IOIPG MK)

Announces Malaysia REIT Listing

BUY (Maintained)

Share Price	RM3.63
Target Price	RM4.00
Upside	10.2%

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Highlights

- IOIPG will raise proceeds of RM4.62b from its Malaysia REIT listing, with a potential upside of RM0.8b-1.0b, based on a 1.4-1.5x forward P/B multiple, in line with peers.
- We expect gearing to decline to 0.74x from 0.90x as of end-Dec 25. Around 66% of proceeds used for debt repayment should generate post-tax interest savings of RM77m, equivalent to 6.8% of our FY27 earnings forecast.
- It is well-positioned to capitalise on: a) falling SORA, b) potential capital outflow from the Middle East, and c) faster industrial landbank monetisation. Maintain BUY with an unchanged target price of RM4.00.

Analysis

- **IOIPG launches REIT listing, targeted for completion by 4Q26.** IOI Properties Group (IOIPG) has announced the proposed listing of IOIPG REIT on the main market, with a total asset value of RM7.58b. The initial asset portfolio will be anchored by IOI City Mall (RM5.1b/67.3%), followed by hotels (RM1.5b/19.8%) and offices (RM1b/12.9%). The REIT listing is expected to be completed by 4Q26.
- **RM4.62b proceeds from REIT listing.** The REIT IPO will involve the offering of up to 2.2b units (40% of total units in issue), comprising retail (12.4%) and institutional (27.6%) investors, while IOIPG will retain a 60% stake after the listing. Overall, IOIPG is expected to raise RM4.62b in proceeds, comprising: a) RM2.65b (from REIT-level borrowings), and b) RM1.97b from the disposal of the 40% stake in the listed REIT.
- **RM0.8b-1.0b upside to proceeds from higher REIT valuation.** Given a broadly similar asset mix to Sunway REIT (around 65% retail, 18% hospitality, 9% office), which currently trades at 1.4-1.5x P/B, we apply a comparable multiple to IOIPG REIT. This implies an upside of RM790m-RM990m per our estimates.
- This coincides with the potential Additional Buyer's Stamp Duty (ABSD) clawback of S$275m for Marina View (RM850m at 3.1x exchange rate), with the remission timeline due in Sep 26 (1QFY27). Nevertheless, our current forecasts have not factored in these penalties as our base case assumes a one-year extension of the ABSD remission timeline.

Key Financials

Year to 30 Jun (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	2,939.7	3,062.2	4,156.5	5,170.8	4,855.3
EBITDA	2,334.2	1,847.1	1,541.1	2,211.6	1,933.3
Operating profit	2,224.2	1,724.5	1,418.6	2,046.3	1,732.2
Net profit (rep./act.)	2,061.8	1,064.0	689.2	1,136.9	944.5
Net profit (adj.)	698.1	386.9	689.2	1,136.9	944.5
EPS (sen)	12.7	7.0	12.5	20.65	17.2
PE (x)	28.6	51.7	29.0	17.6	21.2
P/B (x)	0.8	0.8	0.80	0.78	0.8
EV/EBITDA (x)	15.8	20.0	26.8	19.1	21.5
Dividend yield (%)	1.4	2.2	2.2	2.2	2.2
Net margin (%)	23.7	12.6	16.6	22.0	19.5
Net debt/(cash) to equity (%)	69.4	69.5	85.8	87.4	82.8
Interest cover (x)	117.4	4.1	2.8	3.7	3.2
ROE (%)	2.9	1.6	2.8	4.5	3.6
Consensus net profit			718.7	900.3	942.5
UOBKH/Consensus (x)			1.0	1.3	1.0

Source: IOIPG, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	IOIPG MK
Shares issued (m):	5,506.1
Market cap (RMm):	19,987.3
Market cap (US$m):	5,040.6
3-mth avg daily t'over (US$m):	6.8

Price Performance (%)

52-week high/low RM3.72/RM1.71

1mth	3mth	6mth	1yr	YTD
8.4	34.4	69.6	114.8	37.5

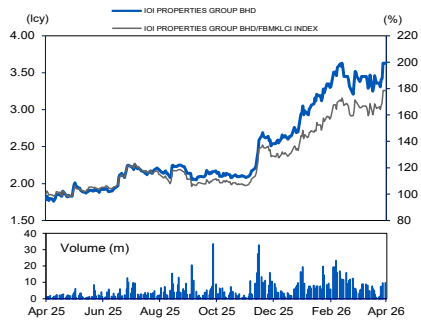
Major Shareholders %

Vertical Capacity	65.7
Employees Provident Fund	6.7

Balance Sheet Metrics %

FY26 NAV/Share (RM)	4.65
FY26 Net Debt/Share (RM)	4.06

Price Chart



Source: Bloomberg

Company Description

A property developer with a business portfolio encompassing leisure and hospitality, in addition to property development and property investment.

- **Remaining assets provide further monetisation upside in the future.** The RM7.58b asset injection into IOIPG REIT will be satisfied via 35% cash and 65% IOIPG REIT units at an indicative issue price of RM0.90. This is based on a net asset value of RM4.93b (5.5b units), after factoring in RM2.65b of borrowings. After the listing, IOIPG REIT would have a gross gearing ratio of 35%, which remains comfortably below the regulatory threshold of 50%, providing debt headroom to support future asset injections from IOIPG, potentially including IOI Mall Damansara, IOI Mall Puchong, One IOI Square, Two IOI Square, IOI Palm Garden Golf Club, and Palm Garden Hotel, amounting to RM2.1b in book value as of end-Jun 25.
- **Debt repayment drives meaningful interest savings.** Of the total proceeds, 65.6% will be used for repayment of borrowings, with the remainder allocated to project development and investment expenditures (33.6%) and transaction expenses (0.8%). This is expected to deliver post-tax interest savings of RM77.1m per annum (based on an effective interest rate of 3.24%), equivalent to 6.8% of our FY27 earnings forecast of RM1.1b.
- **IOIPG's pro-forma net gearing will be reduced to 0.74x** from 0.90x as of end-Dec 25, per our calculation.

Valuation/Recommendation

- **Maintain BUY with unchanged target price of RM4.00,** based on a discount to RNAV of 20%. Our target price implies 0.9x FY27F P/B and 19.4x FY27F PE (+1SD to 10-year mean). Beyond its Malaysia REIT listing targeted for 4Q26, IOIPG is well-positioned to capitalise on: a) falling interest rates in Singapore; b) potential capital inflow into Singapore and Malaysia, after the onset of the Iran war; and c) faster industrial landbank monetisation. The group also has another REIT listing underway in Singapore, with an asset value target of S$7b-8b, which will help improve its balance sheet over time.

Earnings Revision/Risk

- No earnings revision.

Environmental, Social, Governance (ESG) Updates

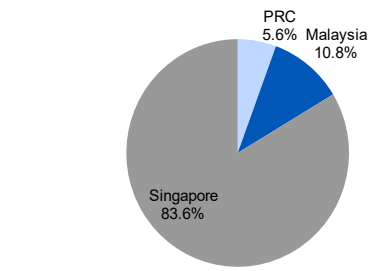
- Environment: Targets to reduce Scope 2 emissions intensity within the property investment operations by 15% by 2025 and 18% by 2028, using FY21 as the baseline.
- Social: Committed to promoting local procurement within its supply chain.
- Governance: Achieved 33% of women representation among the Board of Directors.

Target Price Scenarios Based On SOTP Valuation Approach

Malaysia REIT assets (RMb)	7.6		
Malaysia REIT NAV (RMb)	4.9		
Target P/B (x)	1.4-1.5		
Market cap (RMb)	6.9-7.4		
Property RNAV (RMm)	3,278		
Shareholders' Funds (RMm)	24,429		
Total (RMm)	27,707		
Discount applied	35%		
Discounted equity value (RMm)	18,009		
Segment	------ Equity Value (RMm) ----		Remarks
1) IOIPG ex Malaysia REIT	18,009	18,009	a) 35% discount to property RNAV, b) BV post-Malaysia REIT listing
2) Malaysia REIT (60% stake)	4,139	4,435	
- Target P/B	1.4x	1.5x	
Total SOTP value	22,149	22,444	
Existing sharebase (mil)	5,506	5,506	
SOTP per share (RM)	4.02	4.08	
Upside to share price of RM3.63	11%	12%	

Source: IOIPG, UOB Kay Hian

Borrowings Position Mix As Of End-Dec 25

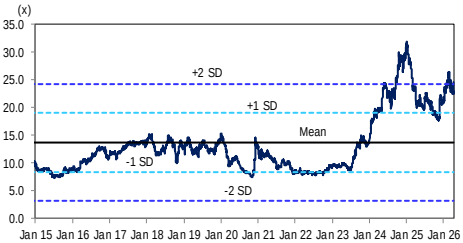


Source: IOIPG, UOB Kay Hian

12-Month Forward P/B Band

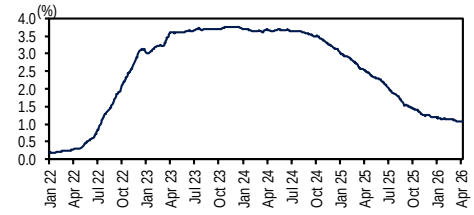
Source: IOIPG, UOB Kay Hian

12-Month Forward PE Band



Source: IOIPG, UOB Kay Hian

Three-Month SORA



Source: IOIPG, UOB Kay Hian

RNAV Target Price Of Rm4.00/Share

NPV of Development Profits	(RMm)
Malaysia	
Central Region	1,897
Southern Region	478
Singapore	
Marina View	763
JV projects	122
China	
IOI Palm	18
Total	3,278
Shareholders' Funds	24,429
RNAV	27,707
Existing Sharebase	5,506
RNAV/share (RM)	5.03
Discount	20%
Target Price (RM/share)	4.00

Source: IOIPG, UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	3,062.2	4,156.5	5,170.8	4,855.3
EBITDA	1,847.1	1,541.1	2,211.6	1,933.3
Deprec. & amort.	122.5	122.5	165.4	201.1
EBIT	1,724.5	1,418.6	2,046.3	1,732.2
Associate contributions	109.1	114.6	114.6	114.6
Net interest income/(expense)	(379.2)	(467.7)	(489.1)	(485.4)
Pre-tax profit	1,454.4	1,065.5	1,671.7	1,361.4
Tax	(385.0)	(370.8)	(529.4)	(411.4)
Minorities	(5.4)	(5.4)	(5.4)	(5.4)
Net profit	1,064.0	689.2	1,136.9	944.5
Net profit (adj.)	386.9	689.2	1,136.9	944.5

Balance Sheet

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	10,083.6	12,440.1	12,474.7	12,473.7
Other LT assets	26,032.4	28,526.1	28,740.7	28,955.3
Cash/ST investment	2,485.6	3,617.4	2,411.0	2,960.7
Other current assets	8,313.8	7,749.2	9,569.5	9,003.3
Total assets	46,915.3	52,332.8	53,195.9	53,392.9
ST debt	2,663.4	2,663.4	2,663.4	2,663.4
Other current liabilities	1,831.2	1,615.4	1,976.7	1,864.3
LT debt	16,926.3	22,305.4	22,105.4	21,905.4
Other LT liabilities	972.4	972.4	972.4	972.4
Shareholders' equity	24,428.8	24,677.5	25,374.0	25,878.0
Minority interest	93.3	98.7	104.1	109.5
Total liabilities & equity	46,915.3	52,332.8	53,195.9	53,392.9

Cash Flow

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Operating Cashflows	1,060.1	1,051.4	(265.9)	1,490.3
Pre-tax Profit	1,454.4	1,065.5	1,671.7	1,361.4
Tax	(385.0)	(370.8)	(529.4)	(411.4)
Deprec. & amort.	122.5	122.5	165.4	201.1
Associates	109.1	114.6	114.6	114.6
Working Capital Changes	126.6	348.8	(1,459.0)	453.9
Others	(367.6)	(229.2)	(229.2)	(229.2)
Cash from Investing Activities	(833.3)	(2,479.1)	(200.0)	(200.0)
Capex (Growth)	(1,236.6)	(2,479.1)	(200.0)	(200.0)
Capex (maintenance)	0.0	0.0	0.0	0.0
Others	403.4	0.0	0.0	0.0
Cash from Financing Activities	85.7	2,559.5	(740.5)	(740.5)
Dividend Payments	(440.5)	(440.5)	(440.5)	(440.5)
Issue of Shares	0.0	0.0	0.0	0.0
Net drawdown/(repayment) of Borrowings	1,274.6	3,000.0	(300.0)	(300.0)
Others	(748.3)	0.0	0.0	0.0
Net Increase/(Decrease) in Cash	312.6	1,131.8	(1,206.4)	549.8
Beginning Cash	2,223.6	2,485.6	3,617.4	2,411.0
Changes Due to Forex Impact	(50.6)	0.0	0.0	0.0
End Cash	2,485.6	3,617.4	2,411.0	2,960.7

Key Metrics

Year to 30 Jun (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	60.3	37.1	42.8	39.8
Pre-tax margin	47.5	25.6	32.3	28.0
Net margin	12.6	16.6	22.0	19.5
ROA	1.0	1.6	2.6	2.2
ROE	1.8	3.1	5.1	4.2
Growth				
Turnover	4.2	35.7	24.4	(6.1)
Net profit (adj.)	(44.6)	78.2	65.0	(16.9)
Leverage				
Debt to total capital	44.5	50.3	49.4	48.7
Debt to equity	79.6	100.4	96.8	94.1
Net debt/(cash) to equity	69.5	85.8	87.4	82.8
Interest cover (x)	4.1	2.8	3.7	3.2

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